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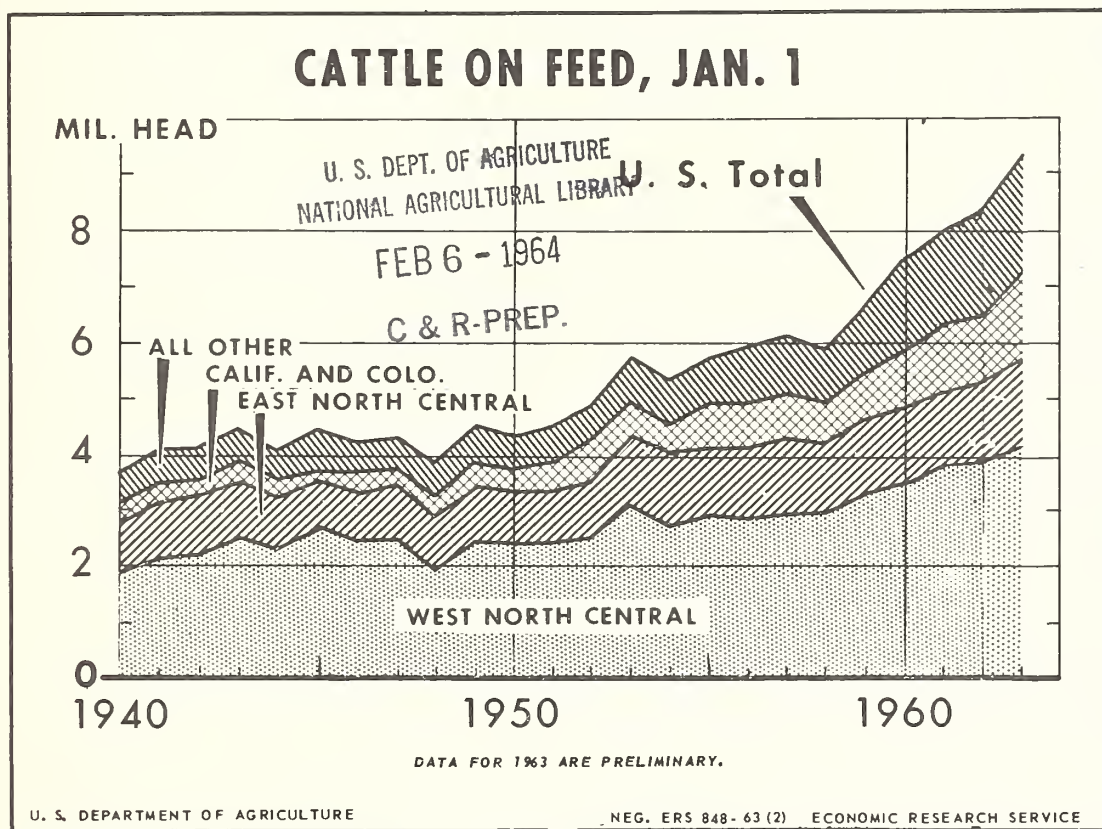
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U. S. DEPARTMENT OF AGRICULTURE
Washington, D. C.

THE CURRENT AND PROSPECTIVE CATTLE SITUATION

For Release April 3, P. M.

April 1963



The U. S. cattle industry is becoming increasingly specialized as a producer of fed beef. Inventories of all cattle and calves have increased 14 percent since 1958, but the fed cattle inventory jumped 50 percent in those same 5 years. Moreover, the growth from year to year has been uneven, with large increases in the number of cattle placed on feed at times and little increase or even a slight decrease at other times. The inventory this past January 1 was up 12 percent from a year earlier. Feeding of cattle has expanded in all areas, but faster in the West than in the Corn Belt.

SPECIAL REPORT ON THE LIVESTOCK SITUATION

Prices for fed cattle, barrows, and gilts declined sharply this winter from peaks reached in the fall of 1962. The decline has reduced incomes to farmers and narrowed profits or brought losses to feeders of cattle and hogs. Perhaps even more importantly, the decline has raised questions about the future.

This special report has been prepared as part of USDA's outlook service designed to help producers, marketers, and consumers to understand and adjust to changes in economic situations. It presents basic information on the current situation and discusses the factors that will influence the future.

SUMMARY

The November-March decline in prices was not a break in the cattle market in general, but primarily a drop in prices of fed steers. Competitive classes and grades, such as heifers and lower-grade steers, dropped to a lesser extent, but prices of slaughter cows and bulls, which do not compete closely with fed steers, actually increased slightly during the first quarter of 1963.

Consumer demand for beef was at a high level in 1962 and will continue high during 1963. Explanation of the recent behavior of fed cattle prices, and appraisal of future prospects, must be sought primarily on the supply side of the market.

The recent price situation appears to be the result of a combination of factors: (1) A large increase in the volume of steer beef production from November to January; (2) large supplies of pork in the first quarter of this year; (3) increases in broiler slaughter over a year earlier; (4) prospects for continued large production of red meat; and (5) the usual lag of retail prices behind those at wholesale.

The price situation since November has been largely a reversal of the conditions that prevailed from July to late November last year, when prices of fed steers rose rapidly due to a sharp decrease in the volume of steer beef production in the Midwest.

Wholesale and retail prices lagged behind live animal prices last summer on the up market and this winter on the down market. Such lags are typical of rapidly changing market conditions.

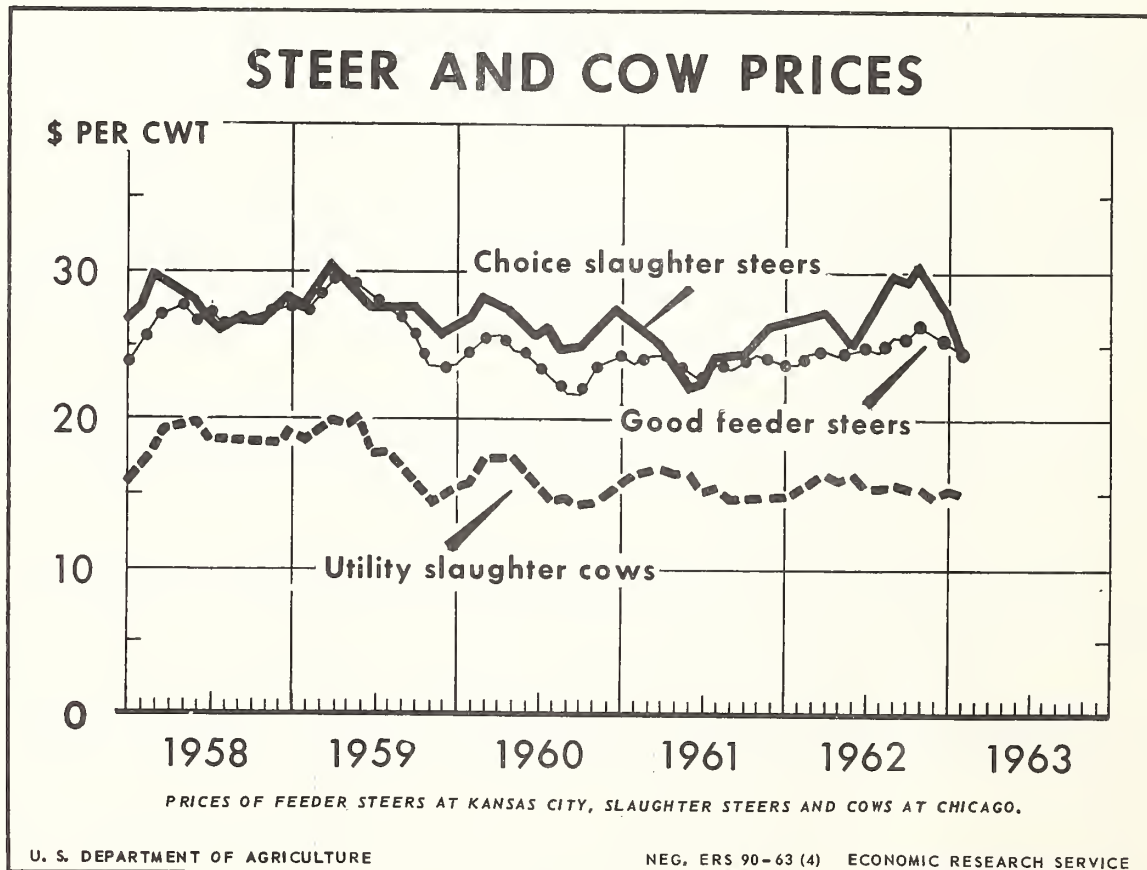
Prices for fed cattle recovered somewhat during the last half of March. Large supplies of fed beef will be forthcoming during the second quarter of this year.

If recent downward adjustments in marketing margins continue, these larger supplies could move into consumption without further serious adjustments in fed cattle prices. This depends on orderly marketing during this period--including avoidance of feeding cattle to excess weights and heavy bunching of marketings.

The current outlook is for improvement in fed cattle prices in the last half of this year. However, a too-rapid-increase in prices of fed cattle could set the stage for another break in fed cattle prices next year or in 1965.

Hog prices were depressed during the first quarter of 1963 primarily by slaughter substantially above a year earlier. The 1962 fall pig crop of 44.5 million head, the second largest fall crop of record, resulted in hog slaughter during February and March about 7 percent above a year earlier.

Hog prices in early April probably were at or near their low for the year. Prices are expected to rise seasonally from midspring to this summer, then decline through late summer and fall, as the 1963 spring pig crop starts moving to slaughter. Prices in the last half of the year likely will continue below 1962 prices--if March-May farrowings are increased 4 percent according to intentions reported by producers on March 1. If producers cut the size of the 1963 fall pig crop, hog prices likely would show some improvement in early 1964.



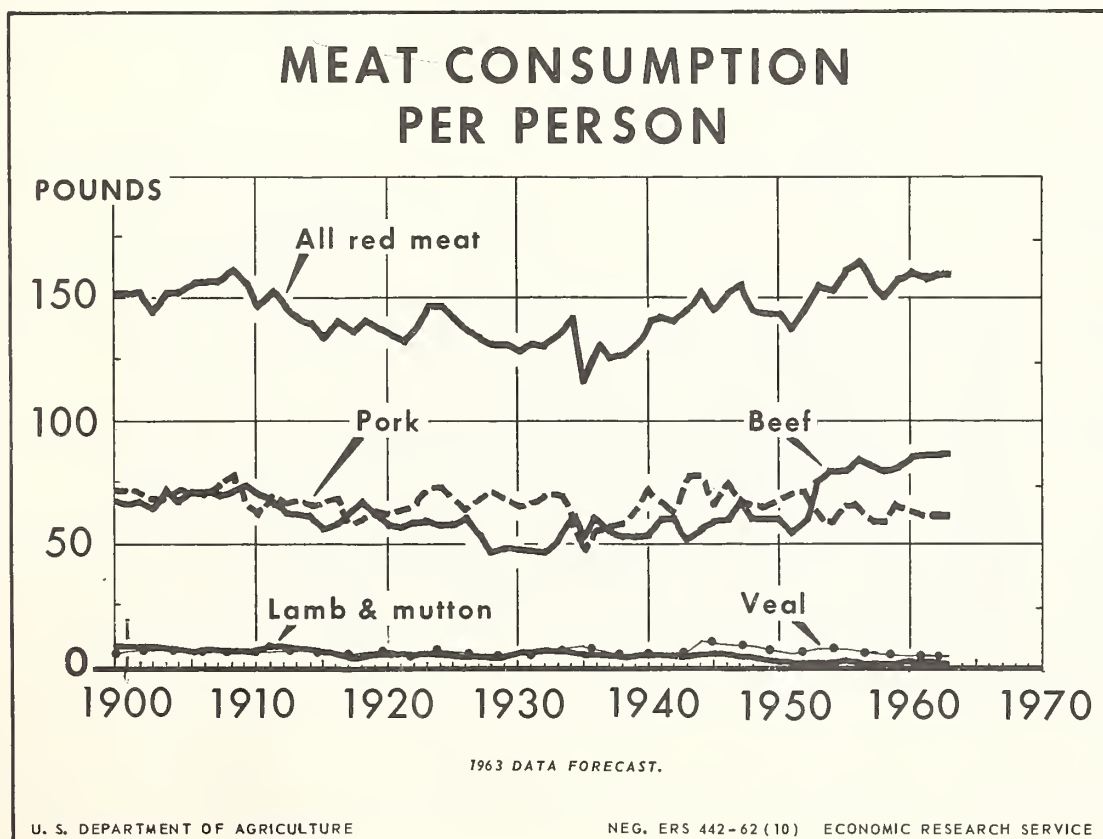
The two outstanding price developments in the cattle market since June 1962 have been: (1) a marked rise in prices of fed cattle, particularly at Midwest and Eastern markets, which reached a peak in November; and (2) a sharp decline since then.

Prices of Choice slaughter steers at Chicago rose from an average of \$25.25 per hundred pounds in June 1962 to a high of \$30.47 in the week ending last November 24. By the week ending March 16, prices had fallen to \$22.91, though they recovered about \$1.00 in the last half of March. This was still above the average of \$22.42 in June-July 1961, the most recent period of low prices for fed cattle.

Both the advance last fall and the decline this past winter were more pronounced for high-grade steers in the Midwest and East than for fed heifers or lower-grade steers or for fed steers in the Southwest. Furthermore, prices for slaughter cows and bulls fell last summer, while steer prices were rising, and increased in the first quarter of the year while steer prices dropped. (See chart on page 4.)

Demand for Beef

Since the end of World War II, consumer demand for beef has been increasing. It was higher in 1962 than in 1961 and likely will be still higher this year. Population and incomes have been rising, and the effects of these factors have been augmented by an increasing consumer preference for beef.

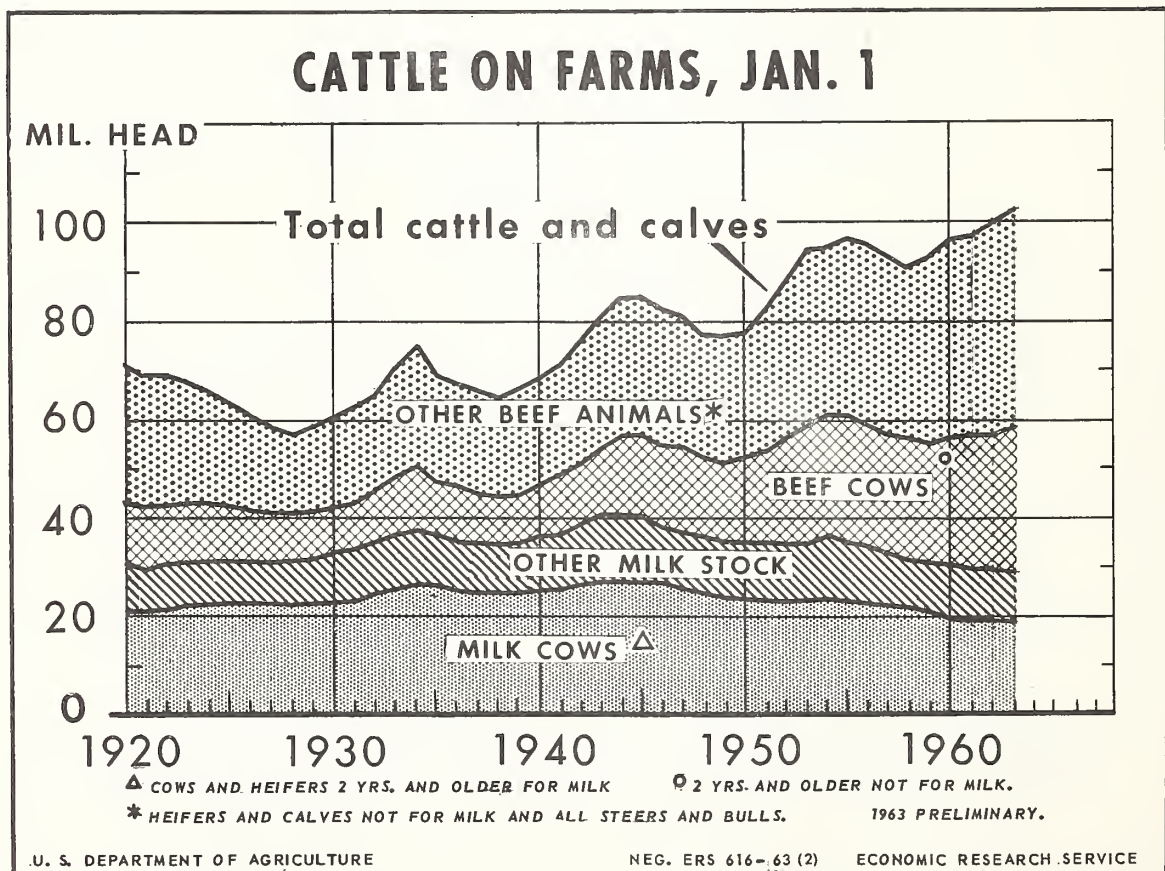


Per capita consumption of beef increased substantially throughout the postwar period. During the 1953-62 decade, per capita consumption of beef increased at an average rate of 1 percent a year. At the same time, retail prices advanced at an average of 2 percent a year, giving clear evidence that demand for beef increased. It seems likely that per capita production of beef in 1963 may rise about 2 pounds above 1962 to a record level of 91 pounds a person. Consumption will increase equally, at prices expected to be somewhat lower than last year.

However, the high level of demand in 1962 does not explain the sharp rise in the price of beef during the second half of that year. Similarly, the drop in the first quarter of 1963 occurred despite the continued high level of consumer demand. The marked changes in beef prices during 1962 and thus far in 1963 must be primarily in conditions on the supply side of the market.

The Supply Situation

This involves several factors including the long-run influence of the cattle cycle, the shorter swings in cattle feeding and slaughter, and supplies of competing meats.

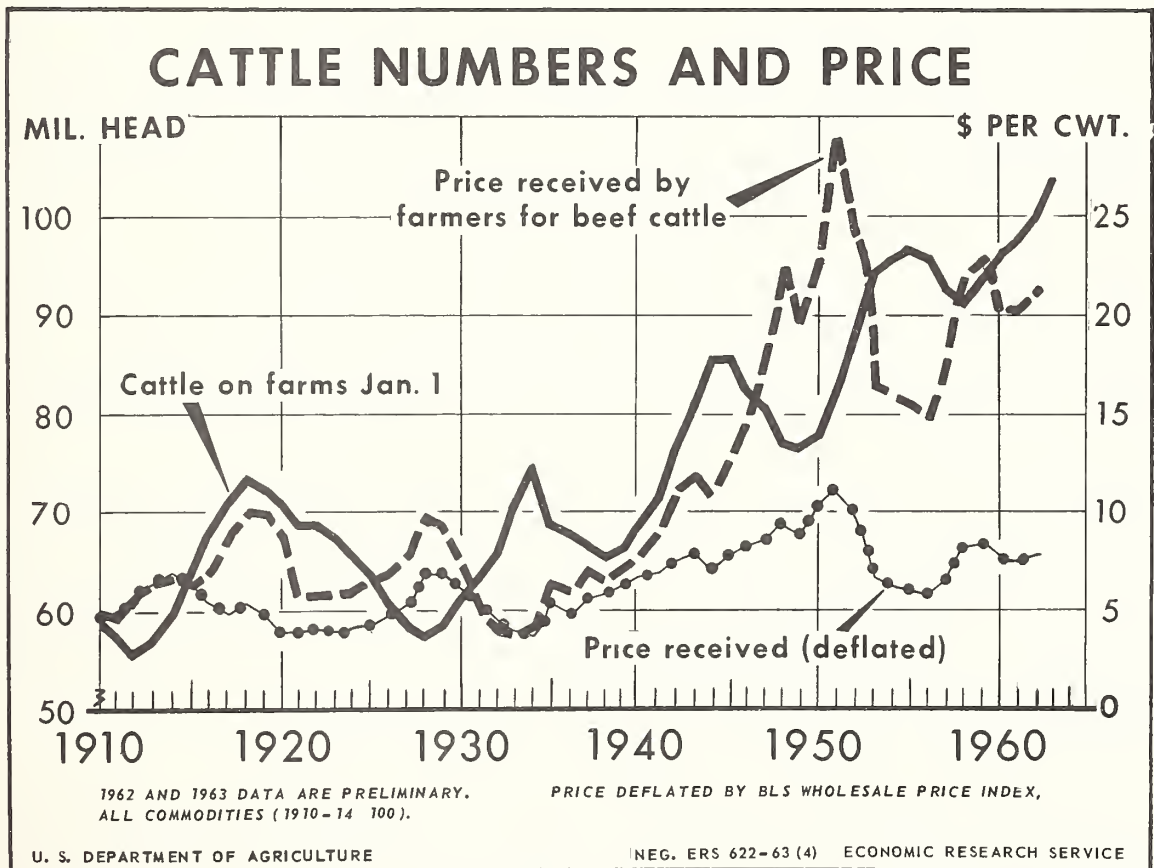


The number of cattle and calves on farms has moved up steadily since 1958, reaching a record of 103.5 million head on January 1, 1963. The increase during 1962 was 3.7 million, or 4 percent more than a year earlier. Even more important is the fact that the number of cattle and calves kept for meat production increased from 59.2 million head on January 1, 1958, to 74.7 million on January 1 this year. This was a rise of 15.5 million, or 26 percent. The gain during 1962 was 4.6 million head or 6 percent.

As the above chart shows, the cattle cycle is well into the upward phase of its movement. There is no evidence of the cycle having reached its liquidation phase, but marketings are increasing as a result of the buildup of cattle numbers.

Cycles and Prices

Swings in prices have accompanied the cyclical movements in cattle inventories and marketings. Price swings were severe in the 1949-58 cycle but have been much less pronounced since then, as the buildup in cattle numbers has been much more gradual during the current expansion.



Fluctuation in Cattle Feeding

Within the overall cattle cycle there are important swings in the volume of cattle feeding, including movements into feedlots, inventory on feed, marketings for slaughter, average dressed weight per head slaughtered, and the volume of fed beef produced.

Since 1958, the cattle feeding industry has been expanding rapidly. Many new commercial lots have been built, and feedlots already in existence have expanded capacity. However, the rate of growth has not been uniform. In some years, a large increase has been registered in the number of cattle placed on feed in a given quarter. But in each quarter following a large increase, placements may drop slightly or increase only a little. Furthermore, the quarter in which these large deviations from the average rate of increase occur is not the same quarter from year to year. (See table 1.)

The changing pattern of placements of cattle on feed is in turn reflected in year-to-year changes in the volume of marketings of fed cattle. Although the general pattern has been a constantly growing volume of marketings, these have been increased by large amounts during some years and only slightly in other years. Likewise, the quarter in which the largest increase is realized has changed from year to year.

The number of cattle on feed January 1, 1963, was up 12 percent from a year before. This year's record inventory of cattle on feed resulted from limited marketings as well as large placements in late 1962. It also indicated prospects for record marketings of fed cattle during the first half of 1963.

The 1962 Price Rise

The marked strength in prices during the summer and fall of 1962 cannot be explained in terms of changes in the total supply of beef. Commercial beef production in the third quarter of 1962 exceeded second quarter production by 3 percent. Production in the fourth quarter was only 3 percent under the third quarter figure.

However, the situation becomes clearer if attention is focused on the supply of fed steer beef. In the late summer and fall of 1962, the beef supply included more cow beef but much less steer beef than in the second quarter of 1962 or in the corresponding period a year earlier. Steer beef production hit its 1962 peak in June. A reduction in the number of steers slaughtered and a decrease in the average dressed weight per steer resulted in a drop of 24 percent in the volume of steer beef produced under Federal inspection from June to September last year.

November steer production was 22 percent under June. Given a supply decrease of this magnitude, the resultant price rise is in line with the usual relationships between supply and price; and it is clear that the 1962 rise in the cattle market was primarily a rise in fed steer prices. As noted previously, Choice steer prices at Chicago rose from an average of \$25.25 in June to

Table 1.--Cattle and Calves: Placements and marketings in
21 States, by quarters, 1958-62 1/

Year and quarter	Placements		Marketings	
	Number	Percentage	Number	Percentage
		change from previous year		change from previous year
	1,000		1,000	
	<u>head</u>	<u>Percent</u>	<u>head</u>	<u>Percent</u>
<u>1958</u>				
4th quarter	5,000		2,737	
<u>1959</u>				
1st quarter	2,459		2,819	
2nd quarter	2,176		2,919	
3rd quarter	2,669		3,059	
4th quarter	4,985	0	2,934	7
<u>1960</u>				
1st quarter	2,657	8	3,091	10
2nd quarter	2,069	-5	3,024	4
3rd quarter	2,633	-1	3,180	4
4th quarter	5,380	3	3,006	2
<u>1961</u>				
1st quarter	2,651	0	3,154	2
2nd quarter	2,174	5	3,375	12
3rd quarter	3,061	16	3,330	5
4th quarter	5,445	1	3,295	10
<u>1962</u>				
1st quarter	2,728	3	3,336	6
2nd quarter	2,349	8	3,428	2
3rd quarter	3,366	10	3,421	3
4th quarter	6,024	11	3,336	1

1/ Includes short fed cattle.

an average of \$30.13 in November. Choice heifer prices followed rising steer prices. However, the increase in heifer prices was considerably less than that for steers. The margin widened from 53 cents per hundredweight in June to \$2.58 in September and remained close to \$2.00 in October and November. On the other hand, prices for cows and bulls, which do not compete closely with fed steers, weakened through the summer and fall as cow slaughter increased.

The Recent Price Drop

The decline in prices which began in late November and extended into March was primarily a drop in fed steer prices, not a general break in the cattle market. Competitive classes and grades, such as fed heifers and lower-grade steers, dropped to a lesser extent, and prices of slaughter cattle (cows and bulls) that do not compete closely with fed steers increased during the first quarter of 1963.

The sharp downward movement in the first quarter of this year appears to be the result of a combination of factors. First, there was a sharp increase in the volume of fed steer beef produced from November 1962 to January this year. Production rose 4 percent from November to December and another 19 percent from December to January. The weekly rate of production in February was about 1 percent above that in January. This sizeable total increase since November coincided with the sharpest breaks in the New York price, which was followed by weakness in the Midwest markets.

There also appears to have been a growing recognition of the heavier supply situation in prospect. Other factors include: a 5 percent increase in pork production during the first quarter of 1963; increases in broiler slaughter over a year earlier by 17 percent in December and 24 percent in January; and the usual initial lag of retail prices behind those at wholesale. In addition, both the price advance last fall and the decline during this winter probably had elements of the not uncommon tendency for short-run price changes to become exaggerated.

Differences Among Markets

A comparison of wholesale prices at East Coast, Midwest, and West Coast markets through the last half of 1962 and the first quarter of this year provides an additional clue to the role that the volume of production of fed steer beef had in this period. (See table 2.)

Wholesale prices for Choice steer beef at Los Angeles remained relatively stable throughout January-August last year. However, prices at Denver, Chicago, and New York dropped from April to June, then rose sharply from late June to September. Prices then dipped slightly in October but returned to the September level in November. The summer price increase carried Midwest prices up through, and above Los Angeles prices in August. By early September, the price differential between Los Angeles and Denver was in favor of an easterly movement of fed cattle from the Southwest. Consequently, significant numbers of fed cattle were shipped east out of Southern California and Arizona during the late summer and fall of 1962. This situation was highlighted in the Market News Report for Range and Feedlot Sales for the week ending October 27 as follows: "ARIZONA, CALIFORNIA, NEVADA, AND UTAH--Slaughter steers active, strong to 50¢ higher, instances \$1.00 up in Arizona. About 40 percent of sales to go out of the 4-State area."

Table 2.--Carlot wholesale prices for steer beef at selected markets 1/

Month	New York		Chicago		Denver		Los Angeles <u>2/</u>	
	1963	1962	1963	1962	1963	1962	1963	1962
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
January	44.48	43.84	42.74	41.95	42.01	40.82	44.66	42.81
February	41.28	43.99	39.34	42.18	38.25	40.96	42.34	42.94
March	<u>3/</u> 38.00	44.48	<u>3/</u> 35.75	42.32	<u>3/</u> 34.75	41.31	<u>3/</u> 40.00	43.72
April		44.46		42.40		41.33		43.17
May		42.89		41.19		40.08		43.31
June		41.83		40.02		39.31		42.64
July		43.18		41.34		40.19		42.30
August		45.83		43.84		42.75		43.32
September		48.08		46.16		45.06		44.71
October		46.75		44.92		43.65		44.18
November		47.94		46.00		45.05		44.12
December		47.08		45.20		44.18		44.81

1/ Choice 600-700 pound carcass.

2/ Less than carlot price.

3/ March is midmonth price.

When wholesale prices in the East and Midwest started to drop in December and January, West Coast prices held firm. It was not until late January, when Denver prices had dropped sufficiently to start beef moving from Denver to Los Angeles, that West Coast prices started down.

Production of federally inspected steer beef in the North Central Region in November 1962 was 24 percent under production in June 1962. However, production of steer beef in the Pacific Region increased 3 percent from November to June.

From November to January, steer beef production in the North Central Region increased 32 percent compared with an increase of 15 percent in the Pacific region. Therefore, both the sharp upward movement in fed steer prices in the Midwest and East last summer and fall and the even greater downward adjustment this winter appear to be closely tied to the wide fluctuation in the production of steer beef in the North Central Region. East Coast markets, particularly the Metropolitan New York area, are primarily steer beef markets. This also helps explain the changes in the price differential between steers and heifers both last summer and this winter.

Table 3.--Steer beef production under Federal inspection,
United States and North Central Region,
by months, 1962-63

Month	United States		North Central Region	
	1963	1962	1963	1962
	<u>Mil. lb.</u>	<u>Mil. lb.</u>	<u>Mil. lb.</u>	<u>Mil. lb.</u>
January	678	654	421	386
February	591	574		355
March		647		385
April		601		349
May		699		414
June		700		421
July		666		395
August		646		379
September		532		314
October		593		348
November		546		320
December		568		357

The United States, once a net exporter of beef, has been a net importer for several decades. Imports of beef and veal in 1962 totaled a record 1.4 billion pounds (carcass weight equivalent). This was equivalent to nearly 9 percent of U. S. production of beef and veal. In addition, 1,250,000 head of cattle and calves were imported.

Of the beef and veal imports, 86 percent was boneless beef for manufacturing; another 9 percent was canned beef. Very little bone-in or chilled beef or veal was imported.

These products supplement U. S. production by supplying lower-grade processing meat, which we have not been producing in large enough quantities to meet our growing demand. Such imports are chiefly a supplement to the domestic supply of cow beef, and as the chart indicates, are relatively large when cow slaughter is low and vice-versa. Thus, the volume of these imports tends to vary with the cycle--cow slaughter tends to decline when cattle inventories are increasing and rise when herds are being reduced. For example, imports of beef were cut about in half between 1951 and 1955.

Imports of Beef and Cattle

Table 4.--Imports of beef, veal and cattle, and comparison with U.S. production, 1962

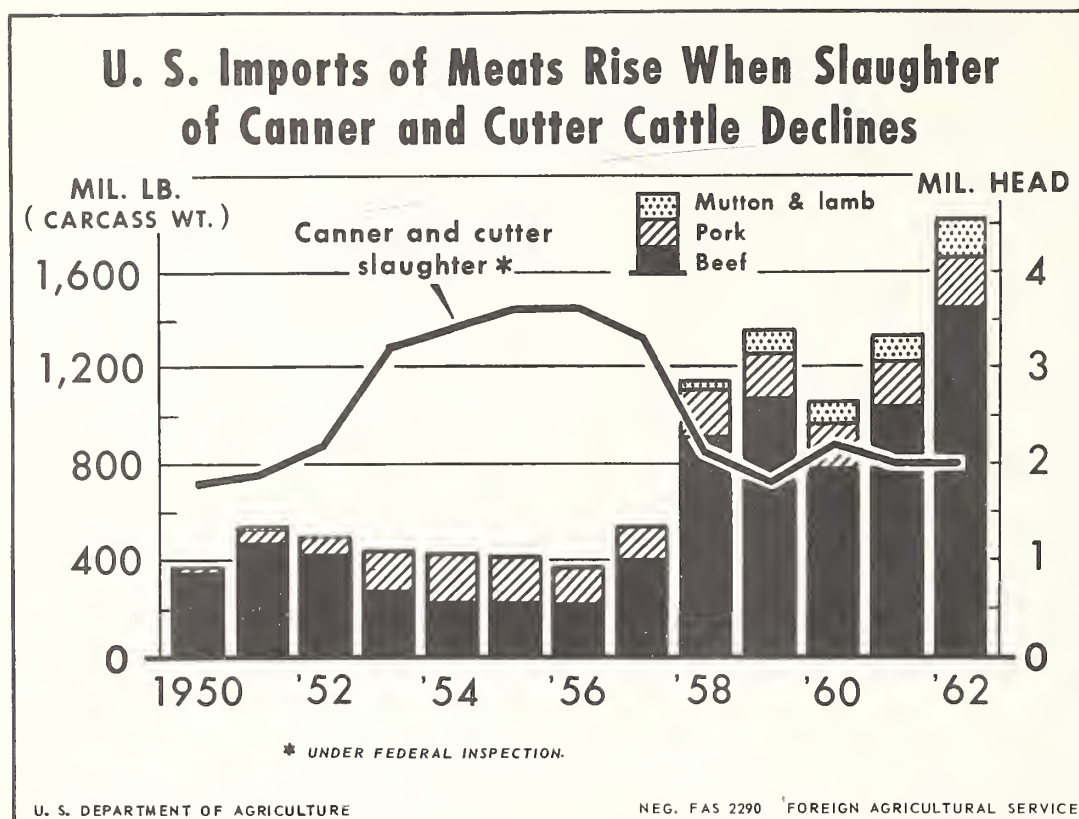
Item	Imports		Quantity: of U.S. produc- tion <u>1/</u>	Imports as percent of production
	Value	Quantity		
	<u>Mil.dol.</u>	<u>Mil.lb.</u>	<u>Mil.lb.</u>	<u>Percent</u>
Beef and veal				
Beef:				
Bone-in, fresh, chilled, frozen ..	5.7	18.8		
Boneless	258.1	819.1		
Canned, incl. corned	28.5	84.0		
Pickled and cured	0.3	0.5		
Veal, fresh or frozen	8.9	25.5		
Other meat, canned, prepared or pres., n.e.c.	<u>10.6</u>	<u>23.1</u>		
Total	312.1	971.0		
Total, carcass wt. equivalent ..	---	1,454.0	16,300	8.9
Cattle and calves:		<u>1,000 head</u>		
Under 200 lb.	2.0	66		
200-700 lb.	85.4	1,042		
700-lb. and over, dairy ..	3.7	16		
700 lb. and over, n.e.s.	19.3	109		
Bulls for breeding	0.9	1		
Cows for breeding	<u>5.2</u>	<u>16</u>		
Total	116.5	1,250	2/34,700	3.6

1/ Commercial as reported, plus estimates for farm.

2/ Number head slaughtered.

Agricultural Marketing Service. Compiled from data of Foreign Agricultural Service.

While the volume of imports does have an influence on the grades and classes of cattle slaughtered primarily for processing beef, it is not an important factor affecting the price of our high-quality beef and hence the prices of fed cattle. In the third quarter of 1962, when fed cattle prices had their most rapid increase of the year, imports of processing beef were up 56 percent from the second quarter of 1962 and 35 percent from the third quarter a year earlier. Imports decreased 2 percent from November to December and 33 percent from December to January. Imports this January also were 14 percent under imports in January 1962, partly as a result of the dock strike.



Retail Prices

Retail prices tend to lag behind live animal and wholesale prices, both in periods of rising prices as well as in periods of falling prices. Furthermore, when a large change occurs in the market flow of meat, live and wholesale prices quite often overadjust because of this price lag. Producers are temporarily benefited when prices are rising, as are retailers when prices are falling.

During the summer of 1962, prices for Choice steers at 20 markets rose from an average of \$25.31 in June to \$28.62 in November. If the marketing margin from farm to retail had remained constant through this period, the retail price would have risen 7.1 cents a pound. However, the average retail price per pound for Choice beef increased only 4.8 cents a pound--from 82.6 cents a pound in June to 87.4 cents in November. Thus, marketing margins narrowed during this time.

The reverse situation has been true since November. Choice steer prices dropped from \$28.62 to an average of \$24.68 per hundred pounds in February. If marketing margins held steady at the November level, then the retail price would have dropped to 78.7 cents a pound. Had they returned to the June level, retail prices would have gone to about 81.0 cents a pound. However, the actual drop was to 84.6 cents a pound, and the marketing margin in February remained higher than it was in June 1962.

Table 5.--Choice beef: Live steer, wholesale and retail prices, by weeks 1/

Period		Average retail price, 8 outlets	Carlot wholesale	Choice live steer
		<u>Cents per pound</u>	<u>Dollars per 100 pounds</u>	<u>Dollars per 100 pounds</u>
<u>1962</u>				
July	1	81.33	40.75	25.80
	2	81.07	40.88	26.18
	3	83.28	41.38	26.44
	4	82.93	42.75	27.06
August	1	82.97	42.25	27.57
	2	83.36	43.25	27.20
	3	83.23	44.75	28.31
	4	85.70	43.75	28.54
September	5	85.86	45.75	28.91
	1	86.36	47.00	29.90
	2	85.12	45.25	29.91
	3	88.35	45.75	29.86
October	4	85.10	44.75	29.71
	1	88.91	43.75	29.08
	2	89.16	44.75	29.00
	3	86.05	45.00	29.54
November	4	85.88	46.25	29.92
	5	88.63	44.75	29.90
	1	86.95	46.25	30.05
	2	87.50	46.25	30.15
December	3	87.99	46.25	30.47
	4	88.37	45.25	29.89
	1	86.88	46.13	29.58
	2	86.53	45.75	29.13
<u>1963</u>	3	87.55	44.75	28.57
	4	86.89	44.75	28.68
January	1	85.65	42.75	27.57
	2	85.34	44.25	28.39
	3	87.85	43.75	27.70
	4	85.80	42.75	26.98
February	5	83.62	41.00	26.05
	1	85.96	40.75	25.79
	2	84.47	39.25	24.69
	3	84.30	39.00	24.76
March	4	79.69	38.75	24.62
	1	82.64	37.25	23.91
	2	80.95	35.75	22.91
	3	80.68	35.75	23.81
	4	<u>2/</u> 77.94	36.75	23.90

1/ Choice steer out of first hands at Chicago; carlot wholesale at Chicago for 600-700 pound Choice carcass; and average retail price at 8 retail outlets.

2/ Four outlets.

Retail prices continued to drop in March and the marketing margin narrowed somewhat. As prices become stabilized about the lower level, the marketing margin probably will decline to near the level that existed last June. Consequently, retail prices probably will continue to work lower this spring.

Fed Cattle Prices: The Current Outlook for 1963

Supplies of Fed Beef
to Continue Large

Cattle and calves on feed for slaughter in 39 States totaled 9,239,000 head as of January 1, 1963, an increase of 12 percent from a year earlier. The 28 major feeding States, for which quarterly data are available, had a January 1 inventory of cattle on feed of 8,951,000 head, also up 12 percent from January 1, 1962. The changes in cattle on feed by weight groupings for the 28 States are as follows:

Table 6.--Cattle and calves on feed by weight groups,
January 1, 1962 and 1963

Weight group	Number on feed		Percent increase
	1962	1963	
	1,000	1,000	
	<u>head</u>	<u>head</u>	
Under 500 pounds	1,577	1,748	11
500-699 pounds	1,936	2,236	15
700-899 pounds	2,350	2,700	15
900-1,099 pounds	1,706	1,814	6
1,100 pounds and over	424	453	7
Total	7,993	8,951	12

NOTE--The April 1 report of Cattle and Calves on Feed will be released April 16. The current outlook is prepared from preliminary slaughter and movement data and must in part anticipate the April 1 report.

Feedlot operators in the 28 States reported intentions as of January 1 this year to market 3,771,000 head of cattle and calves out of the January 1 inventory during the first quarter of this year. This would be an increase of 9 percent over the 3,459,000 head marketed out of the January 1, 1962, inventory during the first quarter of 1962. If these 1963 intentions were carried out, there would still be a substantial gain over a year ago in the number of cattle remaining in feedlots on April 1 out of the January 1 inventory.

Table 7.--Cattle and calves: Inventories placement and marketings,
January 1 to April 1, 1962 and 1963

Item	1962	1963	Percent increase
On feed January 1	7,993	8,951	12
Marketed, January-March	3,459	<u>1</u> /3,771	9
Carried into April 1 inventory	4,534	<u>2</u> /5,180	14
Placed on feed January-March	2,787	?	?
On feed April 1	7,321	?	?

- 1/ January 1 marketing intentions.
2/ By subtraction.

The number of cattle placed on feed in the first quarter of this year probably was less than the number placed on feed during the first quarter of 1962. Despite the sharp drop in fed cattle prices, feeder cattle prices remained relatively stable during January and February, then dropped about \$1.00 per hundred pounds in the first 2 weeks of March. Thus, feeder cattle have not been an attractive buy so far this year. The number of cattle placed on feed during January-February in California, Arizona, and Colorado was 11 percent under placements a year earlier. Likewise, shipments of feeder cattle and calves into 8 Corn Belt States in January-February this year were 12 percent under shipments in the same period a year before. On the other hand, due to favorable weather conditions, many feeder cattle in the Corn Belt remained on crop residue into early January. These cattle went into feedlots during January.

First Quarter Marketings Probably Under January 1 Intentions

The number of cattle reported marketed from feedlots in January-February in California, Arizona, and Colorado was 3 percent less than marketings a year earlier and 11 percent below the level indicated by reported intentions as of January 1. Severe winter weather from mid-January through February no doubt slowed gains of cattle in many areas and, thus, will delay marketings. The average liveweight of steers sold out of first hands at 7 markets has increased sharply in recent weeks, indicating that feedlot operators have been slowing the rate at which they are topping out their feedlots.

There is always a strong incentive to hold cattle in feedlots longer when prices are down in hope that they may recover. But despite the price recovery during late March, the outlook does not justify holding past normal weight and finish.

The inventory of cattle on feed April 1 probably was sufficient to result in a level of production of fed beef during the second quarter of this year at least 10 percent over that in the corresponding period a year ago. (Note in table 6 the 15-percent increase in the number of cattle and calves on feed in the 500-699 and 700-899 pound weight groups in the January 1 inventory.) Thus, fed cattle prices will be under pressure throughout the second quarter. Holding cattle on feed beyond the time they reach grade will only aggravate the situation in the following respects:

1. Bunch marketings at a later date, producing a weaker market situation.
2. Add to the total volume of beef produced.
3. Turn out a less desirable animal due to excessive fat cover and decreased cutability.
4. Increase feed costs because of higher feed conversion ratios encountered at heavier weights.

Retail prices were adjusting downward during late February and March. Some additional downward adjustment in retail prices likely will occur as the entire marketing chain stabilizes at the higher plateau of fed beef production and lower level of live and wholesale prices. The drop in retail prices already has had a significant impact on the volume of movement of beef.

Some strength in fed cattle prices did occur in the last half of March. But it appears that some of this price recovery was bought by holding cattle in feedlots. If this situation continues for an extended period, the downward pressure on prices will be intensified from late April through June.

The large volume of marketings of fed cattle and production of fed beef will be from mid-April through July. This will make it difficult to hold the price recovery attained during the last half of March as marketings rise to their peak. But if retail prices continue to adjust downward, the volume of fed beef during the second quarter may move into consumption without further serious adjustments in fed cattle prices, provided that cattle do not get overweight and marketings are not bunched as a result of a widespread tendency to hold in hope of price recovery.

What can be done?

There are several steps that can be taken by the cattle feeding industry to minimize downward price pressure during the second quarter. The first has already been mentioned--orderly marketing of fed cattle.

Feedlots that have cattle on growing rations, or just starting on feed, can lengthen the feeding period and postpone the marketing date somewhat by not pushing cattle on full feed as rapidly as usual.

An industry-wide cooperative effort, from feeder to retailer, to publicize, promote, and facilitate the movement of beef into consumption is called for. There is a substantial volume of beef on the way for the next 3 to 4 months. Consequently, a concerted merchandising effort can do much to ease the entire industry through this period without more serious consequences in terms of price decline and financial loss.

Should cattle feeding be decreased this summer?

Probabilities are that more cattle will be on feed this July 1 than a year ago. A moderate increase should not be a cause for alarm, particularly if it is confined primarily to the Corn Belt. The rapid rise to relatively high prices in the Midwest last summer and fall was the result of a shortage of fed beef, particularly steer beef. Demand for beef in the Midwest during the last half of 1963 will be increased over a year earlier due to population growth, rising employment, and increasing incomes. A higher level of beef output in the North Central Region than during September-November last year would aid in stabilizing prices, keep up the volume of slaughter, and hold down the increase in cattle numbers. The current outlook is for improvement in fed cattle prices in the last half of 1963. A too-rapid increase to an unrealistically high level could set the stage for a repeated break in fed cattle prices in 1964 or 1965.

HOGS

Hog prices also dropped sharply during the first quarter of 1963, due largely to the supply situation. The June-November 1962 pig crop of 44.5 million head was 5 percent more than the crop a year earlier and the second largest fall pig crop of record. Commercial hog slaughter in January exceeded slaughter in January 1962 by 4 percent and was 7 percent above December 1962. The number of hogs slaughtered in federally inspected plants in February was 7 percent above a year earlier, and the weekly rate of federally inspected slaughter in March was up 8 percent from a year earlier.

Prices for slaughter barrows and gilts in early April were probably at or near their low for the year. The Pig Crop Report released March 21 by the Crop Reporting Board showed that the total number of hogs on farms in 10 Corn Belt States on March 1 was only 1 percent above a year earlier. The supply of slaughter barrows and gilts in this year's March 1 inventory in the 10 Corn Belt States likely was only about 2 percent above a year before. Therefore, hog slaughter during the second quarter of this year is not expected to exceed year-earlier slaughter by a large margin.

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Producers in the 10 States reported intentions to increase farrowings during March-May by 4 percent over a year earlier. If these intentions are carried out, then slaughter through the fall and early winter can be expected to be up somewhat from the fall of 1962. The price for slaughter barrows and gilts at 8 markets averaged \$16.32 in November-December last year. Next fall this price could be expected to average somewhat lower than a year earlier.

The large fall pig crop of 1962 has brought low hog prices to producers this winter and spring. Producers reported intentions March 1 to increase June-August farrowings by 1 percent. Even a slight increase in the fall pig crop of 1963 probably would result in prices just as low a year from now.